

**SPRINGFIELD COMMUNITY PRESERVATION  
FULL APPLICATION COVER SHEET**

**I. PROJECT INFORMATION**

CPA program area - check all that apply:

☒ community housing      ☐ historic preservation      ☐ open space      ☐ recreation

Project/Program Title: **City of Springfield Down Payment Assistance**

Brief Project/Program Summary:

Down payment and closing cost assistance to income-eligible (<100% AMI) households purchasing a home in the City to serve as their principal residence.

estimated start date: ASAP

estimated completion date: 12 months after start

**II. APPLICANT INFORMATION**

Type of Applicant - check one:

☒ City of Springfield      ☐ Non-Profit Organization      ☐ For-Profit Business      ☐ Individual

Name of Organization: **Office of Housing**

Name of Contact Person: **Robert DeMuis**

Mailing Address: **1600 East Columbus Avenue**

Mailing City/State/Zip: **Springfield, MA 01103**

Phone: **(413) 886-5052**

Fax: **(413) 265-6946**

Email: **rdemuis@springfieldcityhall.com**

Website: **<https://www.springfield-ma.gov/housing/>**

**III. BUDGET SUMMARY**

Estimated Project Budget: **\$160,000**

CPA Funding Request: **\$160,000**

Will you be seeking multi-year funding      ☐ Yes      ☒ No

CPA Request as Percentage of Total Project/Program Budget: **100%**

List Other Secured Funding Sources:

Although technically not a "funder," the Office of Housing will contribute all administration costs (staff, office supplies, postage, etc.) to ensure that every dollar of CPA funds reach these new homeowners.

List Other Prospective Funding Sources:

Applicant Signature: 

Date Submitted: 4/1/2021



THE CITY OF  
SPRINGFIELD, MASSACHUSETTS

March 30, 2021

Community Preservation Committee  
36 Court Street, Room 412  
Springfield, MA 01103

**Springfield Community Preservation Act 2021 Application for Funding**

The City of Springfield Office of Housing is very pleased to submit this application for Down Payment Assistance for income-eligible families purchasing a home to serve as their principal residence.

**I. GENERAL INFORMATION**

- A. The Program will provide Down Payment Assistance (DPA) to prospective homebuyers to bring to their closing, at which point they will own their new home. A condition for applying for these funds will be an executed Purchase and Sale Agreement.
- B.
  1. The Program will serve households earning up to 100% of the Area Median Income (AMI) as determined by HUD.
  2. Income will be calculated by Office of Housing Program Managers whose duties currently include calculating income for the many income-restricted programs run for many years through this Office. These employees will collect copies of pay stubs, bank statements, tax returns, etc. using HUD's guidelines for calculating income.
  3. The Office of Housing will post the Program, along with income limits, on the official City website. Our existing, long-running program (which is only able to assist families earning  $\leq 80\%$  AMI) is well known throughout the Greater Springfield realtor and lending communities, and, if awarded, we will announce the Program through direct outreach to the Realtor Association of Pioneer Valley and BuySpringfieldNow.

**II. NARRATIVE**

- A. **Project Summary:** The CPA DPA Program will mirror our current HUD-funded DPA Program. \$4,000 in DPA/closing cost assistance will be provided to eligible homebuyers as a forgivable loan. Each full year the borrower maintains the home as their principal residence, 20% of the loan is forgiven. After 5 full years, the entire \$4,000 is forgiven. The funds are secured by a "soft" second mortgage on the home, ensuring repayment if the home is sold within 5 years. The Office of Housing is requesting \$160,000, which



would allow the City to assist 40 homeowners who otherwise may not qualify. The Office of Housing is able to absorb 100% of the administration costs for the Program.

- B. Proposal Description:** The Office of Housing is seeing more and more homebuyer families earning slightly over the HUD 80% AMI maximum, thus making them eligible for assistance. Likewise, HUD sets a maximum purchase price of a home (currently \$198,000 for an existing single-family). Home prices have risen dramatically this year, disqualifying many families from participating in our current program. The proposed CPA DPA would eliminate these barriers, attracting more potential owner occupant households in our neighborhoods. Our Program would certainly meet the Community Housing criteria of the Community Preservation Act.
- C. Feasibility & Sustainability:** CPA funds would fund potential homebuyers who would be otherwise disqualified from receiving City DPA funds, either by income or purchase price. The city enjoys a steady stream of applicants for our long-running existing Program, and the addition of the CPA's less stringent qualifications, would only increase the number of families served. There is no operating pro forma, per say, but every dollar of CPA funds would go directly to these new homeowners, again with the City absorbing all ancillary expenses.
- D. Applicant Experience:** The Office of Housing has administered an identical DPA Program for well over 20 years. The 2 Program Managers who will administer the proposed program have over 50 years of combined experience running similar programs. The addition of the CPA resources to our existing Program will be seamless.

### **III. TIMELINE**

The CPA DPA Program would begin as soon as funds are available and run until the funds are exhausted. It is anticipated the Program would last approximately 12 months from inception. The Office of Housing would report program status updates to the Community Preservation Committee (CPC) bi-annually, quarterly, or at intervals directed by the CPC.

### **IV. BUDGET**

As described above, \$160,000 will directly fund 40 down payment/closing cost assistance for 40 income-eligible families purchasing an owner occupied home in the City of Springfield. 100% of the CPA funds will go directly to these households, with the Office of Housing absorbing all ancillary expenses.

### **V. ATTACHMENTS**

1. Policies and Procedures for the City of Springfield DPA Program

*The Office of Housing wishes to thank the Community Preservation Committee for its' consideration of this important Program, and commends you for all of the good work you are doing (and have done) for the City of Springfield.*

# **FIRST-TIME HOMEBUYER DOWNPAYMENT ASSISTANCE PROGRAM (DAP)**

## **POLICY AND PROCEDURES**



**CITY OF SPRINGFIELD  
OFFICE OF HOUSING  
1600 EAST COLUMBUS AVENUE  
SPRINGFIELD, MASSACHUSETTS 01103**

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## PREFACE

This policy has been developed as a reference guide for the administration of the City of Springfield HOME Investment Partnerships Program (HOME) funded **First-Time Homebuyer Downpayment Assistance Program (DAP)**. It has been designed to ensure, as much as practicable, a fair and consistent approach in soliciting, selecting, evaluating and determining the eligibility of participating households. The policy further establishes a formal operating format that is intended to be consistent with the HOME rules and regulations that govern this program.

The policy is subject to changes when revisions to HOME rules and regulations impact the administration and operation of the program. Furthermore, funding availability, as well as adjustments to strategic objectives promulgated by City Administrators, will effect when, where, and how funds are appropriated in order to meet desired housing goals and initiatives.

## PURPOSE

The City of Springfield's objective is to operate its homeownership program to maximize homeownership opportunities for low and moderate-income households. The program provides direct financial assistance in the amount of \$2,500.00 to income-eligible first-time homebuyers for downpayment and closing cost assistance.

## FAIR HOUSING AND EQUAL OPPORTUNITY

Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and/or handicap (disability).

The City of Springfield is committed to the spirit and intent of these laws, rules and regulations in the administration and operation of this program and will strive to ensure that all applicants receive fair access and treatment in the receipt and review of all applications in response to requests for assistance and in the distribution of its funding resources for programs and services.

## CONFLICT OF INTEREST

The Office of Housing prohibits individuals having functions or responsibilities with respect to activities assisted with HUD funds, or who are in a position to participate in a decision-making process, or gain inside information with regard to these activities, from obtaining a financial interest or benefit from any HUD-assisted activities or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder,

either for themselves or those with whom they have family or business-ties, during their tenure or for one year thereafter.

This provision applies to employees, agents, consultants, officers, elected officials, or appointed officials of the City of Springfield, State recipients, and/or sub-recipients which are receiving HUD funds. Exception to policy can only be approved by HUD upon submission of written requests. To ensure transparency, the City of Springfield will request from HUD an exception (pursuant to 24 CFR 570.611) regarding any application for assistance for any employee of the City of Springfield (including employees of the Springfield Public Schools), as well as any immediate family members of City employees. For the purposes of this section, immediate family shall mean the employee's father, mother, brother, sister, spouse, child, grandparents or grandchildren, and the employee's spouse's father, mother, son, daughter, brother, sister, grandparents or grandchildren and/ or other members of the employee's household.

Applicants having any of the aforementioned positions, relationships or associations must disclose the nature of their association, in order that the appropriate exception request is submitted and approved. Failure to disclose this information may cause immediate termination of the application or a requirement to return program funds after the fact.

## PROGRAM DESCRIPTION

The City of Springfield, through the Office of Housing, has developed the First-time Homebuyer Downpayment Assistance Program (DAP). This program is funded by HUD Home Investment Partnerships Program (HOME) allocations, and is designed to provide upfront financial support in the form of down-payment and closing cost assistance. Program requirements for all first-time homebuyers include:

- A. Not having owned a home during the previous three (3) tax years, unless ownership in a home was dissolved due to divorce (or other HUD-approved exception).
- B. Household income does not exceed 80% of the area median income (AMI), adjusted for family size, as determined annually by HUD for the HOME Program. Liquid household assets may not exceed \$10,000.
- C. Applicants must contribute a minimum of 1% of the purchase price from their own funds toward the purchase.
- D. The property must be the homebuyer(s) primary residence. No assistance is allowed for "Rent-to-Own" or "Lease-Purchase" transactions.
- E. The maximum loan-to-value is subject to lender program requirements but may not exceed 105%.
- F. The price must not exceed 95% area median purchase price for single-family properties (1 to 4 units).
- G. The property must meet HUD Housing Quality Standards (HQS) requirements.
- H. The property must be located within the City of Springfield.



- I. Housing expense-to-income ratio must be greater than 25% (**does not apply to households earning less than 60% AMI**). Qualifying ratio for total debt-to-income may not exceed 45%. Exceptions may be considered and/or authorized by the Director (or Deputy Director) on a case by case basis.
- J. Applicants shall complete a CHAPA or HUD-certified, or the City's homebuyer education class, which must be evidenced by homebuyer education certificate. (At least one adult member of the household applying for the assistance must attend all classes and receive certificate.)

## MARKETING & OUTREACH

The City of Springfield is committed to ensuring that its programs and services are available and accessible to all income-eligible households. The Office of Housing will operate this program within the context of fairness in order to promote awareness of available programs and services. The Office of Housing affirmatively strives to encourage and further fair housing initiatives, whether acting on its own, or with and/or through other public and private-sector organizations.

The Downpayment Assistance Program is a well-known, long-standing program that is marketed on the City's official website, through the collaborative Buy Springfield Now program (which is a coalition of the City, local mortgage lenders, realtors, and other public, private, and nonprofit organizations endeavoring to promote homeownership in the City), various Community Housing Development Organizations, and through our neighborhood councils.

## APPLICATION PROCESS

Applications are available at the Office of Housing located at 1600 East Columbus Avenue; from 8:15 a.m. to 4:30 p.m. Loan applications may also be obtained online ([www3.springfield-ma.gov/housing](http://www3.springfield-ma.gov/housing)), requested by phone, email, or U.S. mail. DAP staff are encouraged to review applications in person with the applicant(s) when possible to avoid delays in reviewing, processing and requesting appropriate information. Applications are to be completed in their entirety and will be suspended or rejected when the information is not sufficient to process the request.

Applications are considered to be "complete" when **all appropriate documentation** is provided that substantiates all of the information conveyed on the loan application (see checklist on page 8 of the application). **Funds are committed to a particular home purchase when application and all supporting documents are received and approved by DAP staff.** Prospective homebuyers who have applied for assistance and determined to be ineligible may re-apply when the household meets established criteria. An applicant may re-submit a loan request at any time (for example, if the purchase of the originally designated home fails to go through); however, the application will be considered new and subsequently processed in the order in which it was received.



## SELECTION PROCESS

The Office of Housing will receive, review and process applications on a **first-come, first-served** basis. Application will be "date-stamped" and initialed so as to maintain consistency with the "first-come, first-serve rule", as well as provide a record of when a fully completed application and supporting documentation are officially received. The application process is expected to take no more than thirty (30) days; and no more than 10 days to render a decision regarding eligibility.

## FIRST-TIME HOMEBUYER

Unless otherwise stated, all assisted homebuyers are required to be "first-time" homebuyers. A first-time homebuyer is a low-income individual or household who has not owned a home during the prior three tax years. The Office of Housing will review the applicant(s) previous three years' tax returns to confirm eligibility as a first-time homebuyer. Exceptions are allowed for "displaced homemaker", or a single parent who, while married, owned a home with his or her spouse. Homebuyer education is required and must be approved by HUD or certified by CHAPA. The City Spanish language class is also accepted. Participants are required to contribute a minimum of one percent of their own funds toward the transaction.

## SALES PRICE

The Office of Housing will use the following method(s), when applicable, for determining and/or approving the contract sales price of assisted units for applicants:

- Obtain and review a copy of an independent private appraisal of the fair market value of the home.
- Value will be defined as the lesser of the sales price or appraised value.
- The maximum sales price must not exceed 95% of the Area Median Sales Price, as determined by HUD, using its most recently approved maximum sales price limits.
- The loan-to-value ratio may not exceed 105% of the purchase price for the home.

## INCOME

HUD establishes income guidelines used to establish eligibility for the program. HUD calculates these income levels annually and sets forth the maximum limit at 80% of Area Median Income (AMI), adjusted for family household size. Consequently, these amounts may change without notice during the program year. Applicants and DAP staff should refer to the HUD web site: [www.hud.gov](http://www.hud.gov) for updates to the HOME Income Limits. The table below outlines the maximum household income effective June 6, 2016.

### **Maximum Household Income (80% of Area Median Income)**

<b>Household Size</b>	<b>Income</b>	<b>Household Size</b>	<b>Income</b>
1 person	\$46,000	5 persons	\$71,000
2 persons	\$52,600	6 persons	\$76,250
3 persons	\$59,150	7 persons	\$81,500
4 persons	\$65,700	8 persons	\$86,750

The Office of Housing will use the annual income definition found at 24 CFR Part 5 (or "Section 8" definition) in determining the eligibility of program participants. This method is preferred as it is the most commonly used among other local housing agencies, as well as consistent with income determination methods used by financial institutions.

### **INCOME ELIGIBILITY**

The City limits its down payment assistance program to homebuyers earning no more than 80% of Area Median Income (as determined annually by HUD). Household income may not exceed the income limits in effect at the time of application for the DAP. Income is defined as the income earned from all household members age 18 years and above (some exclusions apply). Income includes earnings from employment, government benefits, investments, and other cash-generating activities. Refer to the Technical Guide for Determining Income and Allowances ("The Purple Book") for a complete list of acceptable types of income and whose income to count. The following is a general list of source documentation to consider when evaluating income:

- A. When pay is steady, income from employment will be calculated from the applicant's most recent pay stubs covering a 90-day pay period, and projected forward at the same level of earnings for 12 consecutive months. NOTE: if income is less stable, twelve (12) months of documentation may be required. A Verification of Employment form may be used in conjunction, or in place, of pay stubs.
- B. Income from overtime, commissions, ongoing stipends, shift differential pay, and other sources will be averaged (using most recent 90-day period) and included in the applicant's gross monthly income. Exceptions can be made for applicant's receiving one-time non-recurring bonuses or relocation benefits;
- C. Interest income from investments such as savings, money market, certificates of deposit, dividend income from mutual fund accounts, and other income-generating assets will be included in the applicant's household income when the account is considered liquid, and the applicant can withdraw the funds without significant tax penalty; and
- D. Current monthly income payments from retirement accounts, (including social security and pensions), alimony, child-support, and other steady, ongoing sources will be included in the applicant's gross monthly household income calculation.

- E. All forms of Income from non-applicant spouses and other adult household members will be included in the gross monthly income calculation, regardless of the taxability of such income (some exceptions apply).

For self-employed applicants, the following documents may be required:

1. A year-to-date profit loss statement prepared and signed by a Certified Public Accountant, with information covered through the last quarter;
2. A year-to-date-balance sheet, prepared to reflect the financial position of the business at a specific point in time;
3. A signed letter of explanation regarding the applicant's anticipated gross household income over the next 12 months.

## UNDERWRITING GUIDELINES

The use of sound underwriting analysis is important in ensuring that home ownership is not only affordable but sustainable. In addition, evaluating and determining acceptable levels of credit risk is in keeping with HUD's continuing objective of helping communities meet affordable housing goals in a practical and prudent manner. The Office of Housing's approach will ensure that homeownership is viable and sustainable to eligible households.

## DOCUMENTATION

The submission of accurate, legitimate and timely information is essential in determining the income eligibility of households requesting assistance. Documentation supporting the verification of income must follow prescribed HUD guidelines and must be submitted for review at the time of application. The types of documentation evidencing the receipt of income consists of, but are not limited to:

1. Copies of the most recent two (2) years signed, federal tax returns (Tax returns must be copies of original, signed returns filed with the IRS; or stamped and dated print-outs from local IRS office);
2. Copies of most recent 90 days of consecutive pay stubs from each income source that may be applicable. Generally, sources of income are usually:
  - a) Employment
  - b) Unemployment
  - c) Self-employment
  - d) Investment / Dividend Income (evidenced by copy of 1099)
  - e) Interest income
  - f) Retirement Income (Pension, social security award letters, IRAs, 401K or 403B distributions)



- g) Court Ordered Payments for Alimony or child support, as well as receipt of payments
- h) Rental Income (Evidenced by Schedule E of the IRS tax returns, or copies of rental lease agreements)

***Note: Income will need to be re-certified if more than six (6) months has lapsed beyond the initial time funding was approved/committed and the actual assistance is provided.***

## INCOME DETERMINATION

The 24 CFR Part 5 (Section 8) definition will be the method used as a basis for determining the income eligibility of all applicants and will be substantiated with documentation of the type noted in the previous sections.

Using the on-line HUD Exchange Income Calculator, DAP staff will calculate anticipated annual income using the weekly or monthly prevailing rate of income and project the income forward for the next 12 months. For example, an applicant household's income is generally calculated using one of the following methods:

### *Method 1: Weekly income*

*Weekly income x 52 = Anticipated annual income*

*Bi-weekly income x 26 = Anticipated annual income*

### *Method 2: Monthly income*

*Monthly income x 12 = Anticipated annual income*

*Bi-monthly income x 24 = Anticipated annual income*

It may be necessary in certain situations to use an alternate method of calculating income. These circumstances generally arise when a family reports little to no income or when income fluctuates.

## DEBT TO INCOME RATIO

Expense-to-income ratios are intended to be a guideline in evaluating a household's ability to reasonably meet its monthly obligations. Exceptions to these standards may be permitted on a case-by-case basis, after considering the merits, strengths, or weaknesses of compensating factors. Acceptable compensating factors may include homebuyer's credit rating; ability to leverage other financing resources; length of employment; level of account balances; household's ability to manage debt payments; loan to value; urgency of need, etc. The Office of Housing has established qualifying expense-to-income ratios that sensibly reflect a household's ability to comfortably afford and maintain homeownership but, at the same time, allows the City of Springfield to establish appropriate levels of lending risks to ensure the continued viability of this loan program.

The housing expense-to-income ratio (often referenced as the “front end ratio”) calculates total housing expenses (principal, interest, taxes, insurance) to gross income. Applicants with a front end ratio of 24% or less are not eligible for the DAP. The debt-to-income ratio (often referenced as the “back end ratio”) includes the monthly housing debt and all other recurring monthly obligations that will continue beyond ten (10) months such as: first and second mortgages, auto loan payments, personal loans, student loans, credit card balances, etc. The relationship between total monthly debts and the total “annual income” for all adult members should not exceed 45%. As mentioned previously, ratios in excess of these standards may be allowed on a case by case basis, provided that a rational and reasonable explanation is documented and approved by the Director (or Deputy Director) of the Office of Housing.

## PROPERTY TYPE

The Office of Housing will direct the use of available funds to aid purchasers of single-family housing, as defined by HUD. Single-family residences consist of properties containing of one to four units; condominiums, and cooperative units. Dwellings not affixed to a permanent foundation (i.e. mobile homes) are not eligible for this program.

Homebuyers seeking the purchase of properties containing two or more units will be required to undergo an in-person HAP Housing landlord training course (see [haphousing.org](http://haphousing.org)).

## PROPERTY STANDARDS

Prospective homebuyers are encouraged to select properties that are safe, decent and affordable. Properties purchased or acquired using downpayment and closing costs assistance must meet all state and local housing quality standards and code requirements. At a minimum, the Housing Quality Standards (HQS) outlined in 24 CFR Part 982.401 will apply. Assistance will not be provided on properties that do not meet these minimum standards.

## MAXIMUM PROPERTY VALUE

Section 215(b) of the National Affordable Housing Act (NAHA) requires that the initial purchase price or after-rehabilitation value of homeownership units assisted with HOME funds not exceed 95 percent of the area median purchase price for single family housing, as determined by HUD. The FY2018 Homeownership Value Limits (posted March, 2018) are below. These limits remain in effect until HUD issues new limits.

### Maximum Purchase Price

	1 unit	2 unit	3 unit	4 unit
Existing home	\$181,000	\$231,000	\$280,000	\$347,000
New construction	\$228,000	\$292,000	\$353,000	\$438,000

### APPRAISALS

The Office of Housing will require a determination of value of a subject property from an outside or third party source having no interest in the property, other than to render a report of opinion of value consistent with the Uniform Standards of Professional Appraisal Practices. A copy of the appraisal must be submitted by the lender to DAP staff for review.

### ELIGIBLE CLOSING COSTS

Funds awarded under this program may be utilized for downpayment assistance, closing costs or a combination of both. Funds for either purpose shall be clearly listed on the Settlement Statement. Reasonable and related costs incurred in conjunction with acquiring and settlement of the property shall include, but not be limited to, those below:

- Loan Discounts Points
- Credit Reporting
- Tax Servicing
- Flood Determination
- Application Fees
- Mortgage Broker Fees
- Municipal Lien Certificates
- Survey Fees
- Origination Fees
- Appraisal Fees
- Settlement or closing fees
- Abstract or Title Search
- Title Examination
- Title Insurance
- Document Preparation
- Notary fees
- Attorney Fees
- Recording Fees
- Courier Fees
- Inspections Fees

### LOAN STRUCTURE



Deferred Payment Loans (DPLs) will be the method of delivering downpayment and closing costs assistance to successful applicants. Deferred payment loans require no monthly payments. No interest accrues on the loan. The loan will be secured by a Promissory Note and Mortgage. The loan is forgiven incrementally over the five (5) year Affordability Period as long as the homeowner remains in and owns the home. Repayment is deferred until one of the following occurs: The homebuyer

- Sells;
- Transfers ownership of the property;
- Refinances; or
- No longer occupies the home as their primary residence.

#### LOAN REPAYMENT / RECAPTURE

Repayment of the DAP-funded loan shall be triggered by the sale, lease, rental, refinance, transfer, or failure by the owner to maintain the home as his/her principal residence. Repayment shall occur under the following conditions:

- A) In the event that the Homebuyer continues to own the property but fails to maintain it as a principal place of residence for five (5) years from the date on which the Promissory Note is executed, the **entire amount** of loaned funds will become immediately due and payable;
- B) In the event that the Homebuyer's interest in the property is sold, conveyed, transferred or assigned (in whole or in part) by the Homebuyer within five (5) years from the date of execution of the Promissory Note, the entire amount of loaned funds will become due and payable; however,
- C) If the Homebuyer (1) submits written notice to the City at least thirty (30) days prior to the sale, conveyance, transfer or assignment of the property, and (2) the sale, conveyance, transfer or assignment is within five (5) years of the date of execution of the Promissory Note, the Homebuyer's obligation to repay shall be reduced by twenty percent (20%) of the loaned funds for each *full year* the Homebuyer continues to own and occupy the property as a primary residence. *NOTE: A year for the purposes of this 20% reduction shall be one full year from the anniversary of the execution of the Promissory Note. Partial years (i.e. six months) will be rounded down to the lower number of years.*

In the event the Homebuyer continues to occupy the property as his/her primary residence and does not sell or refinance the property within five (5) years from the date on which the Promissory Note is executed, the Homebuyer's obligation to repay the City will become null and void.

## MONITORING

While the City is always subject to HUD monitoring and/or audits of its' HOME-funded projects, the Community Development Department and Office of Housing will also conduct annual random monitoring of DAP files to ensure their accuracy, completeness, and compliance with this policy, as well as with HUD regulations.